

PHYSICIANS' MEDICAL CENTER, LLC

FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

DECEMBER 31, 2011 AND 2010

CPAs / ADVISORS



PHYSICIANS' MEDICAL CENTER, LLC

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REPORT OF INDEPENDENT AUDITORS

The Members of the Board
Physicians' Medical Center, LLC
New Albany, Indiana

We have audited the accompanying balance sheets of Physicians' Medical Center, LLC (the "Company") as of December 31, 2011 and 2010, and the related statements of income, changes in members' capital and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Physicians' Medical Center, LLC as of December 31, 2011 and 2010, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of operating expenses are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Blue & Co., LLC

June 28, 2012

PHYSICIANS' MEDICAL CENTER, LLC

BALANCE SHEETS DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets:		
Cash	\$ 146,511	\$ 192,389
Patient receivables, less allowance for contractuals and doubtful accounts	1,614,316	1,233,418
Other receivables	51,955	37,414
Inventories	312,850	366,350
Prepaid expenses	<u>37,562</u>	<u>49,271</u>
Total current assets	2,163,194	1,878,842
Property and equipment:		
Medical equipment and instruments	3,432,189	3,376,109
Other equipment	219,208	213,997
Furniture and furnishings	185,597	183,002
Software	84,631	84,631
Computer equipment	<u>40,448</u>	<u>40,448</u>
	3,962,073	3,898,187
Less accumulated depreciation	<u>2,108,211</u>	<u>1,462,148</u>
Property and equipment, net	1,853,862	2,436,039
Other assets:		
Due from related parties	1,340,168	964,056
Deferred loan costs, net of amortization of \$5,167 in 2011 and \$3,258 in 2010	<u>3,333</u>	<u>5,241</u>
Total other assets	<u>1,343,501</u>	<u>969,297</u>
 Total assets	 <u>\$ 5,360,557</u>	 <u>\$ 5,284,178</u>

See accompanying notes to financial statements.

	<u>2011</u>	<u>2010</u>
LIABILITIES AND MEMBERS' CAPITAL		
Current liabilities:		
Line of credit - bank	\$ 480,000	\$ 60,000
Accounts payable	565,965	438,195
Obligation under capital lease	733,332	799,999
Notes payable - former members	52,498	21,174
Accrued personnel costs	159,431	166,028
Payroll taxes withheld	8,725	5,830
Accrued expenses	<u>371,223</u>	<u>281,901</u>
Total current liabilities	2,371,174	1,773,127
Long-term liabilities:		
Obligation under capital lease	933,332	1,733,331
Notes payable - former members	<u>27,535</u>	<u>74,859</u>
Total long-term liabilities	<u>960,867</u>	<u>1,808,190</u>
Total liabilities	3,332,041	3,581,317
Commitments		
Members' capital	<u>2,028,516</u>	<u>1,702,861</u>
Total liabilities and members' capital	<u>\$ 5,360,557</u>	<u>\$ 5,284,178</u>

PHYSICIANS' MEDICAL CENTER, LLC

STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011		2010	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Revenues, net				
of contractual adjustments of \$31,158,151 in 2011 and \$30,427,716 in 2010	\$ 10,460,536	100.00	\$ 11,076,053	100.00
Operating expenses	<u>9,766,524</u>	<u>93.37</u>	<u>9,848,627</u>	<u>88.92</u>
Income from operations	694,012	6.63	1,227,426	11.08
Other income (expense):				
Miscellaneous income	657	0.01	48,539	0.44
Interest income	37,502	0.36	0	0.00
Interest expense	<u>(46,516)</u>	<u>(0.44)</u>	<u>(85,622)</u>	<u>(0.77)</u>
Other income (expense), net	<u>(8,357)</u>	<u>(0.07)</u>	<u>(37,083)</u>	<u>(0.33)</u>
Net income	<u>\$ 685,655</u>	<u>6.56</u>	<u>\$ 1,190,343</u>	<u>10.75</u>

See accompanying notes to financial statements.

PHYSICIANS' MEDICAL CENTER, LLC

STATEMENTS OF CHANGES IN MEMBERS' CAPITAL YEARS ENDED DECEMBER 31, 2011 AND 2010

	Capital Contributions	Members' Capital	Total
Balance - January 1, 2010	\$ 870,000	\$ 55,409	\$ 925,409
Redemption of interest	(90,000)	(26,291)	(116,291)
Capital contributions	30,000	0	30,000
Distributions	0	(326,600)	(326,600)
Net income	0	1,190,343	1,190,343
	(60,000)	837,452	777,452
Balance - December 31, 2010	810,000	892,861	1,702,861
Distributions	0	(360,000)	(360,000)
Net income	0	685,655	685,655
	0	325,655	325,655
Balance - December 31, 2011	<u>\$ 810,000</u>	<u>\$ 1,218,516</u>	<u>\$ 2,028,516</u>

See accompanying notes to financial statements.

PHYSICIANS' MEDICAL CENTER, LLC

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
Operating activities:		
Net income	\$ 685,655	\$ 1,190,343
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation	646,063	635,090
Amortization	1,908	1,792
Bad debts	425,550	414,798
Changes in operating assets and liabilities:		
Patient receivables	(806,448)	(320,077)
Other receivables	(44,681)	(37,414)
Inventories	53,500	24,426
Prepaid expenses	11,709	25,616
Accounts payable	127,770	(344,653)
Accrued personnel costs	(6,597)	34,448
Payroll taxes withheld	2,895	1,658
Accrued expenses	89,322	(4,922)
Net cash flows from operating activities	1,186,646	1,621,105
Investing activities:		
Purchase of property and equipment	(63,886)	(154,422)
Financing activities:		
Net borrowings (payments) on line of credit	420,000	(1,020,000)
Principal payments on capital lease	(866,666)	(799,999)
Principal payments on notes payable	0	(35,379)
Payments of loan costs	0	(500)
Proceeds from issuance of member's units	0	30,000
Distributions to members	(329,860)	(326,600)
Payments on notes payable - former member	(16,000)	(7,259)
Advances to related parties	(572,984)	(332,769)
Advances from related parties	196,872	1,091,973
Redemption of members' units	0	(13,000)
Net cash flows from financing activities	(1,168,638)	(1,413,533)
Net change in cash	(45,878)	53,150
Cash, beginning of year	192,389	139,239
Cash, end of year	\$ 146,511	\$ 192,389

See accompanying notes to financial statements.

Supplemental disclosure of cash flow information:

Cash paid for interest	\$ 50,602	\$ 90,885
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Supplemental disclosure of noncash investing and financing activities:

Distributions used to reduce other receivables	\$ 30,140	\$ 0
Redemption of members' units through notes payable	\$ 0	\$ 103,291
Property and equipment purchased for related party	\$ 0	\$ 2,807

PHYSICIANS' MEDICAL CENTER, LLC

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Physicians' Medical Center, LLC (the "Company") is a physician-owned hospital located in New Albany, Indiana. Services provided include both outpatient and inpatient healthcare services. The Company was organized as a limited liability company under the laws of the State of Indiana. As a limited liability company, each member's liability for the debts and obligations of the Company is limited under provisions of the Internal Revenue Code. There is only one class of membership interest. As a result, each membership interest shares equally in the rights, preferences, and privileges of members' equity. Net income or loss is apportioned among the members in accordance with membership interest percentage. The period of duration of the Company specified in its operating agreement is perpetual.

Management's Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses. Actual results could vary from the estimates used.

Patient Receivables

Patient accounts receivable are based on gross charges less allowance for contractual adjustments and uncollectible accounts. An allowance for uncollectible accounts is established on an aggregate basis by using historical loss rate factors applied to unpaid accounts. Loss rate factors are based on historical loss experience and adjusted for other trends affecting the Company's ability to collect outstanding amounts. Uncollectible amounts are written off against the allowance for uncollectible accounts in the period they are deemed to be uncollectible.

Allowance for Uncollectible Patient Receivables

The Company estimates an allowance for uncollectible patient receivables based on an evaluation of the aging of the accounts, historical losses, current economic conditions, and other factors unique to their service area and the healthcare industry.

Inventories

Inventories consist of medical supplies and are stated at the lower of cost (using the first-in, first-out method) or market.

PHYSICIANS' MEDICAL CENTER, LLC

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

Property and Equipment

Property and equipment are stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Estimated useful lives range from 3 to 7 years.

Revenue, net of contractual adjustments

Revenue, net of contractual adjustments is reported at the estimated net realizable amounts from patients, third party payors, and others for services rendered, including estimated retroactive adjustments arising under reimbursement agreements with third-party payors.

Advertising

The Company follows the policy of charging the costs of advertising to expense as incurred. Advertising expense was \$82,304 for 2011 and \$24,419 for 2010.

Income Taxes

No provision is made for federal and state income taxes since the members report their distributive share of Company's taxable income or loss on their respective income tax returns.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Company and recognize a tax liability if the Company has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by the Company and has concluded as of December 31, 2011 and 2010, there are no uncertain positions taken or expected to be taken requiring recognition of a liability or disclosure in the accompanying financial statements. The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

The Company has filed its federal and state income tax returns for periods through December 31, 2011. These income tax returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date.

Professional Liability Insurance

The Company is insured against medical professional liability claims under an occurrence-based policy. The policy covers claims resulting from incidents that occur during the policy term, regardless of when the claims are reported to the insurance carrier. Under the terms of the policy, the Company bears the risk of the ultimate

PHYSICIANS' MEDICAL CENTER, LLC

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

costs of any individual claim exceeding \$1,000,000 or aggregate claims exceeding \$3,000,000 for claims asserted in the policy year. In addition, the Company maintains for all classes of liability coverage an additional policy of \$250,000 for each occurrence and \$5,000,000 in the aggregate.

Subsequent Events

The Company has evaluated the subsequent events through June 28, 2012, which is the date the financial statements were available to be issued.

2. PATIENT RECEIVABLES

The detail of patient receivables is set forth below:

	<u>2011</u>	<u>2010</u>
Patient receivables	\$ 5,343,816	\$ 4,978,989
Less allowances for:		
Contractual adjustments	3,032,026	2,679,836
Uncollectible accounts	<u>697,474</u>	<u>1,065,735</u>
Patient receivables, net	<u>\$ 1,614,316</u>	<u>\$ 1,233,418</u>

The Company grants credit without collateral to its patients, most of whom are local residents who are insured under third-party payor agreements. The mix of receivables from patients and third party payors at December 31, 2011 and 2010 is as follows:

	<u>2011</u>		<u>2010</u>	
	<u>Revenues</u>	<u>Receivables</u>	<u>Revenues</u>	<u>Receivables</u>
Anthem	35%	23%	34%	23%
Medicare	34%	28%	34%	18%
Medicaid	9%	14%	5%	6%
Commerical	6%	8%	9%	14%
Cigna	4%	5%	4%	4%
Humana	4%	2%	6%	4%
United Healthcare	3%	2%	3%	2%
Aetna	2%	1%	2%	4%
Workers Compensation	2%	2%	2%	2%
Government	1%	1%	0%	0%
Patient Pay	0%	14%	1%	23%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

PHYSICIANS' MEDICAL CENTER, LLC

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

3. CAPITAL LEASE

The Company leases property from Fifth Third Bank under a capital lease. The economic substance of the capital lease is financing the acquisition of the assets through the lease. The capital lease was initially for \$3,999,995 with \$1,135,112 in assets transferred to a related party. The Company recognizes the entire obligation under the capital lease on its balance sheet. The assets transferred out are reflected in the balance shown as due from the related party.

The following is a summary of the property under the capital lease:

	<u>2011</u>	<u>2010</u>
Medical equipment and instrument	\$ 2,584,557	\$ 2,584,557
Other equipment	102,660	102,660
Furniture and furnishings	116,307	116,307
Software	<u>61,359</u>	<u>61,359</u>
	2,864,883	2,864,883
Accumulated depreciation	<u>1,524,372</u>	<u>1,074,553</u>
Total property and equipment	<u>\$ 1,340,511</u>	<u>\$ 1,790,330</u>

Each member has personally guaranteed their pro rata share of the capital lease.

The lease agreement calls for fixed lease payments plus a variable interest component at one month LIBOR plus 1.8%. The following is a schedule by year of future minimum payments required under the lease as of December 31, 2011:

Year ending December 31:	
2012	\$ 733,332
2013	799,999
2014	<u>133,333</u>
Total minimum lease payments	<u>\$ 1,666,664</u>

4. LINE OF CREDIT

The Company has a line of credit with a local bank. The line is for a maximum of \$1,000,000 with interest at a floating rate per annum equal to 2.2% in excess of the LIBOR rate (LIBOR rate was .28% at December 31, 2011). The line is subject to annual renewal in September and is collateralized by substantially all business assets. Borrowings on the line of credit were \$480,000 at December 31, 2011 and \$60,000 at December 31, 2010.

PHYSICIANS' MEDICAL CENTER, LLC

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

The line of credit agreement contains a covenant which requires the Company, jointly with Physicians' Surgical Properties, LLC to maintain a specified level of debt service coverage as defined by the bank. The debt service coverage at December 31, 2011 is below that required by the financial covenant. The bank has waived the covenant requirement at December 31, 2011.

5. NOTES PAYABLE – FORMER MEMBERS

Notes payable – former members consists of the following:

	<u>2011</u>	<u>2010</u>
Unsecured note payable to a former member bearing interest at 3.25%, annual payments of \$5,695 including principal and interest, through December 2013.	\$ 16,033	\$ 16,033
Unsecured note payable to a former member bearing interest at 3.25%, annual payments of \$11,367 including principal and interest, through December 2013.	32,000	40,000
Unsecured note payable to a former member bearing interest at 3.25%, annual payments of \$11,367 including principal and interest, through December 2013.	<u>32,000</u>	<u>40,000</u>
	80,033	96,033
Current maturities	<u>52,498</u>	<u>21,174</u>
	<u>\$ 27,535</u>	<u>\$ 74,859</u>

Aggregate maturities required on the notes payable are:

Year ending December 31:	
2012	\$ 52,498
2013	<u>27,535</u>
Total	<u>\$ 80,033</u>

PHYSICIANS' MEDICAL CENTER, LLC

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

6. NET PATIENT REVENUES

The Company has agreements with third-party payors which provide for payments to the Company at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

- **Medicare.** The Company is a provider of services to patients entitled to coverage under Title XVIII (Medicare) of the Health Insurance Act. The Company is reimbursed for Medicare inpatient services based on a fixed price per discharge for each diagnosis related grouping and Medicare outpatient services based on a fixed price per clinical unit of service. Differences between the total program billed charges and the payments received are reflected as deductions from revenue. At the Company's year end, a cost report is filed with the Medicare program computing reimbursement amounts related to Medicare patients. As of December 31, 2011, the Company's submitted Medicare cost reports have been final settled with the Fiscal Intermediary through December 31, 2009.
- **Medicaid.** The Company is a provider of services to patients entitled to coverage under Title XIX (Medicaid) of the Health Insurance Act. The Company is reimbursed for Medicaid inpatient services based on a fixed price per discharge for each diagnosis related grouping and Medicaid outpatient services based on a fixed price per clinical unit of service. Differences between the total program billed charges and the payments received are reflected as deductions from revenue. At the Company's year end, a cost report is filed with the Medicaid program computing reimbursement amounts related to Medicaid patients. There is no cost settlement for either of the inpatient or outpatient programs.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility recorded estimates will change by a material amount in the near term. Final determination of compliance of such laws and regulations is subject to future government review and interpretation. Violations may result in significant regulatory action including fines, penalties, and exclusions from Medicare and Medicaid programs. The Company believes it is in compliance with all applicable laws and regulations.

The Company has also entered into payment agreements with certain commercial insurance carriers. Payment arrangements to the Company under these agreements included discounted charges and fee schedule payments.

PHYSICIANS' MEDICAL CENTER, LLC

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

7. RELATED PARTY TRANSACTIONS

The Company leases property on a triple net lease from Physicians' Surgical Properties, LLC. All of the Company's primary partners are also partners of Physicians' Surgical Properties, LLC. The lease is for ten years and has an option to renew under the same terms for four additional five-year terms. The rental payments will increase 3% after each 60 month period. The lease was amended to include a 4% increase in the rent as of January 1, 2011. All other terms of the lease remained the same. Rental expense was \$894,000 for 2011 and \$859,512 for 2010.

At December 31, 2011 the minimum lease payments under the terms of all lease agreements were as follows:

Year ending December 31:	
2012	\$ 894,000
2013	907,410
2014	920,820
2015	920,820
2016	920,820
Thereafter	<u>1,381,230</u>
Total	<u>\$ 5,945,100</u>

The Company had a balance due from Physicians' Surgical Properties, LLC of approximately \$1,340,000 at December 31, 2011 and \$965,000 at December 31, 2010. The Company also had a receivable for accrued interest on the balance due of approximately \$37,000 at December 31, 2011. The Company had no receivable for accrued interest from Physicians' Surgical Properties, LLC at December 31, 2010.

The Company is required to pay Indiana income tax on behalf of its non-resident members. The balance due from members is included in other receivables on the balance sheet. The amount due from members was \$13,959 at December 31, 2011 and \$30,018 at December 31, 2010. The amount paid on behalf of non-resident members was \$22,578 in 2011 and \$31,018 in 2010. The Company reduces distributions to recoup the money owed by these members.

The Company had a service agreement with one of its members, Prexus Health. Services provided under the agreement included but were not limited to billing, coding, consulting, management, and transcription. Fees are calculated using a percentage of net revenues, set fees per hour, or other methods as outlined in the agreement. The Company had a balance due to Prexus Health of approximately \$1,500 at December 31, 2011 and \$60,000 at December 31, 2010. The Company paid \$571,855 in 2011 and \$604,730 in 2010 for fees under the service agreement.

PHYSICIANS' MEDICAL CENTER, LLC

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

8. COMMITMENT

The Company entered into a reimbursement agreement with Physicians' Surgical Properties, LLC, a related party, to guarantee a bond issued by Physicians' Surgical Properties, LLC for the construction of the facility used by the Company. The Company and Physicians' Surgical Properties, LLC entered into and are jointly liable on an outstanding letter of credit with a local bank for \$4,297,336. All members also individually guaranteed the letter of credit.

At December 31, 2011, the Company has guaranteed a term note held by Physicians' Surgical Properties, LLC. At December 31, 2011, the balance remaining on the term note was \$1,498,000. The Company is obligated under the terms of the guarantee to perform if the primary obligor should fail to meet its requirements under the debt agreement. The maximum potential amount of future payments the Company would be required to make if this guarantee was invoked subsequent to December 31, 2011, is dependent on the related outstanding balance on the term note. The Company has not been called upon to perform under this guarantee and has suffered no losses as a result of the guarantee. Should the Company be required to pay any portion of the total amount of the loan it has guaranteed, the Company could attempt to recover some or all of that amount from Physician's Surgical Properties, LLC. The Company holds no collateral in respect of the guarantee. The loan agreement contains a covenant which requires Physicians' Surgical Properties, LLC jointly with the Company to maintain a specified level of debt service coverage as defined by the bank. The debt service coverage at December 31, 2011 is below that required by the financial covenant. The bank has waived the covenant requirement at December 31, 2011.

The Company entered into an agreement with Metro Lithotripsy, LLC, for the use of a mobile extracorporeal shock wave lithotripter. The agreement is for a one-year period and unless terminated, will be automatically renewed for successive one-year terms. The Company had a balance due to Metro Lithotripsy, LLC of \$10,123 at December 31, 2011, and \$29,898 at December 31, 2010. The Company paid \$281,634 in 2011 and \$719,319 in 2010 under the agreement.

9. CONCENTRATION OF CREDIT RISK

The Company maintains a bank deposit account at a financial institution which at times may exceed insured limits. At December 31, 2011, the Company has no uninsured balances.

SUPPLEMENTARY INFORMATION

PHYSICIANS' MEDICAL CENTER, LLC

SCHEDULES OF OPERATING EXPENSES YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011		2010	
	Amount	Percent	Amount	Percent
Salaries	\$ 2,798,639	26.75	\$ 2,850,829	25.74
Employee benefits	308,200	2.95	353,321	3.19
Payroll taxes	227,657	2.18	224,965	2.03
Other personnel expenses	32,446	0.31	37,757	0.34
Rent	924,000	8.83	896,093	8.09
Medical supplies	2,121,896	20.28	2,264,577	20.45
Depreciation	646,063	6.18	635,090	5.73
Amortization	1,908	0.02	1,792	0.02
Consulting fees	192,161	1.84	252,683	2.28
Utilities	178,999	1.71	172,897	1.56
Bad debts	425,550	4.07	414,798	3.74
Support services	94,201	0.90	115,277	1.04
Billing services	303,702	2.90	317,655	2.87
Coding services	68,030	0.65	76,066	0.69
Transcription services	19,889	0.19	18,213	0.16
Sterilization services	13,566	0.13	0	0.00
Office supplies	62,651	0.60	70,272	0.63
Janitorial expense	92,529	0.88	85,465	0.77
Repairs	275,423	2.63	217,743	1.97
Taxes and licenses	163,320	1.56	226,910	2.05
Insurance	62,612	0.60	59,000	0.53
Bank charges	27,736	0.27	26,412	0.24
Travel	1,704	0.02	5,620	0.05
Computer support	37,195	0.36	40,498	0.37
Miscellaneous	29,565	0.28	42,132	0.38
Mileage reimbursement	4,734	0.05	7,796	0.07
Laundry, linen, and apparel	55,862	0.53	54,350	0.49
Telephone	14,171	0.14	14,644	0.13
Legal fees	64,753	0.62	2,815	0.03
Waste removal	9,493	0.09	8,819	0.08
Meals and entertainment	2,578	0.02	3,629	0.03
Dues and subscriptions	26,748	0.26	14,097	0.13
Accounting fees	52,980	0.51	42,238	0.38
Security	432	0.00	1,562	0.01
Other outside services	342,827	3.27	268,193	2.42
Advertising	82,304	0.78	24,419	0.23
Total operating expenses	<u>\$ 9,766,524</u>	<u>93.37</u>	<u>\$ 9,848,627</u>	<u>88.92</u>

See report of independent auditors on page 1.